

Message Text

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ACTION STR-07

INFO OCT-01 ISO-00 STRE-00 AF-10 ARA-10 EA-10 EUR-12
NEA-11 IO-13 OIC-02 CTME-00 JUSE-00 AGRE-00
CEA-01 CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01
INR-10 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01
AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 /169 W
-----033691 121724Z /46

P 121659Z JUN 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 0739
INFO AMEMBASSY KUALA LUMPUR

LIMITED OFFICIAL USE SECTION 01 OF 02 GENEVA 08896

USMTN

ACTION STR

STR PASS CODEL

EO 11652: N/A
TAGS: MTN, ETRD, MY
SUBJECT: US/MALAYSIAN MTN BILATERAL

REF: MANILA 7024

1. SUMMARY: US MTN DEL (GRAEF, ET. AL.) MET WITH
MALAYSIA DEL (YEE CHE FONG PLUS 7 OFFICIALS FROM KUALA
LUMPUR INCLUDING KAHARUDIN, PRINCIPAL UNDER SECRETARY
MINISTRY OF FINANCE AND HAJI ARIFFIN DIRECTOR OF CUSTOMS
AND EXCISE DEPARTMENT) ON JUNE 9. DURING SESSION YEE
SPECIFIED OFFERED PERCENTAGE REDUCTIONS ON PRODUCTS
IDENTIFIED IN REFTEL PARA 4 WHICH RANGE FROM 5 TO 22 PER-
CENT DECREASES OF CURRENT TARIFFS. MALAYSIA DEL ALSO
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TABLED NEW OFFERS ON TOMATO JUICE AND CONCENTRATED ORANGE
JUICE. YEE DESCRIBED POSSIBILITY OF BINDING OFFERED
REDUCTIONS SLIGHT DUE TO NEGATIVE DECISION AT HIGHEST
LEVELS OF G.O.M. ON POSITIVE SIDE YEE MADE CLEAR THE
POSSIBILITY OF IMPROVING MALAYSIAN OFFER. NEXT MEETING
SCHEDULED AFTERNOON OF JUNE 17 TO UNDERTAKE ITEM BY ITEM
REVIEW OF US AND MALAYSIAN REQUESTS AND TO DISCUSS NTM

ISSUES. END SUMMARY.

2. U.S. DEL MET WITH MALAYSIAN DELEGATION HEADED BY CHE FONG AND SEVEN OTHER OFFICIALS INCLUDING THE PRINCIPAL UNDER SECRETARY OF MINISTRY OF FINANCE. MALAYSIANS MADE A POSITIVE RESPONSE TO THE U.S. REQUEST LIST BY TABLING AN OFFER COVERING 14 ITEMS OUT OF US REQUESTS, WITH CUTS RANGING FROM 5 PERCENT TO 22 PERCENT. AT BEGINNING OF DETAILED OUTLINE OF MALAYSIAN TARIFF CUTS AND FREQUENTLY THROUGHOUT DISCUSSIONS, CHE FONG REFERRED TO THE PRELIMINARY NATURE OF THIS OFFER AND INDICATED THAT THERE WAS ROOM FOR IMPROVEMENTS. FOR THE ITEMS ON WHICH THE U.S. EXPRESSED INTEREST, MALAYSIAN DEL CITED THE BELOW TARIFF CUTS (COL. 1 BTN NUMBER, COL. 2 DESCRIPTION, COL. 3 CURRENT RATE, COL. 4 PERCENT REDUCTION OFFERED)

COL 1	COL 2	COL 3	COL 4
20.07500	TOMATO JUICE	25	22 PERCENT
20.07130	ORANGE JUICE (CONC.)	25	22 PERCENT
20.07190	ORANGE JUICE (OTHER)	25	22 PERCENT
20.07830	JUICE MIXTURES (CONC.)	25	22 PERCENT
20.07890	OTHER MIXTURES	25	22 PERCENT
29.13100	ACETONE	M\$2/GAL.	20 PERCENT
37.02900	FILM (UNEXPOSED)	40	20 PERCENT
84.11150	COMPRESSORS FOR REFRIG/	20	7 PERCENT
	AIR-CONDITIONER		
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84.51910	CHECKWRITING MACHINE	25	10 PERCENT
84.52200	ACCOUNTING MACHINE	25	10 PERCENT
84.55000	PARTS AND ACCESS FOR OFFICE	25	5 PERCENT
	MACHINES		
84.53900	STATISTICAL PUNCH CARD MACHINES	25	10 PERCENT

4. IN ADDITION MALAYSIA OFFERED TO CREATE A NEW TARIFF POSITION FOR PROTEIN ISOLATES (35.04), AND INCLUDED OFFERS ON ANALOG, DIGITAL COMPUTERS, AND RELATED EQUIPMENT 84.53100-500. MALAYSIA GLOBAL OFFER ALSO INCLUDED TARIFF ELIMINATION FOR WOVEN JUTE FABRICS (57.10) AND ALUMINUM SLAG (76.01).

5. IN RESPONSE TO US MTN DEL QUESTION YEE UNDERTOOK TO EXAMINE NEW TARIFF POSITION FOR PROTEIN CONCENTRATES (21.07) BUT EXPLAINED SENSITIVITY OF EAST MALAYSIA (BUMIPUTRA) PRODUCTION OF VIRGINIA FLUE CURED TOBACCO PLUS REVENUE EARNED FROM TOBACCO DUTIES PRECLUDED CUT.

6. MALAYSIA DEL, AS ANTICIPATED, EXPLAINED THAT NEW DUTIES WOULD NOT BE BOUND. YEE INDICATED THAT HIGH LEVEL REVIEW HAD RECENTLY REACHED NEGATIVE CONCLUSION ON BINDING NOTING

THAT G.O.M. HAD NEVER BOUND A TARIFF. MTN DEL REITERATED
THEME OF INCONGRUITY OF MALAYSIA SEEKING BINDINGS WITHOUT
DFFERING BINDING, AND POINTED TO THE FACT THAT BECAUSE OF
PROGRESS DURING KL MEETING WE COULD OFFER BINDING ON PALM
OIL (176.34) AT 1 CENT/LB AN OFFER THAT COULD NOT BE MAIN-
TAINED WITHOUT BINDINGS FROM MALAYSIA. MTN DEL STATED
THAT GOM POSITION ALSO PRECLUDED POSITIVE RESPONSES TO
SIGNIFICANT PORTION OF US REQUEST, LIMITING GOMS FLEXIBI-
LITY AND THUS REQUIRING EXPANDED PRODUCT COVERAGE AND
DEEPER REDUCTIONS. IN ANY EVENT BINDING WAS ESSENTIAL TO
MAINTAIN US OFFER OF BINDING.

7. MTN DEL REVIEWED MALAYSIAN REQUEST LISTS AND EXPLAINED
THAT A REVIEW OF U.S. OFFER WILL BEGIN AROUND JUNE 20, IN
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AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
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FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 0740
INFO AMEMBASSY KUALA LUMPUR

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LIGHT OF RESPONSES TO OUR OFFER AND REQUESTS AND THUS A
MORE DEFINITIVE RESPONSE WOULD BE FORTHCOMING FROM THE U.S.
ITEMS FOR WHICH FULL TRADE ACT CUTS OFFERED WERE
IDENTIFIED ALONG WITH ITEMS THAT ALREADY MET THE MALAYSIAN
REQUEST. WE REQUESTED FURTHER CLARIFICATION OF THE

MALAYSIAN REQUEST LIST ON ITEMS WHERE SOME AMBIGUITY STILL EXISTS, E.G., RUBBER AND RUBBER PRODUCTS. HERE THE EXACT TSUS ITEMS HAVE YET TO BE IDENTIFIED. IN ADDITION, MTN DEL CITED THE ITEMS FOR WHICH MALAYSIA IS NOT A PRINCIPAL SUPPLIER; AND REQUESTED G.O.M. TO IDENTIFY ITS PRIORITIES IN LIGHT OF THE ABOVE AND ITS OWN OFFER.

8. A FURTHER MEETING HAS BEEN SCHEDULED FOR THURSDAY, JUNE 15, 1978 TO REVIEW US REQUESTS ON A LINE ITEM BASIS AND TO DISCUSS NTM ISSUES.

9. COMMENT: WE BELIEVE OFFER ON ORANGE JUICE IS DIRECT RESPONSE TO INFORMAL IDENTIFICATION OF PRIORITY AGRICULTURAL PRODUCTS DURING KUALA LUMPUR MEETINGS. IN LIGHT OF YEE'S COMMENTS WE INTEND TO PRESS FOR EXPANDED COVERAGE LIMITED OFFICIAL USE

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OF JUICE OFFER (SINGLE STRENGTH JUICE, GRAPEFRUIT JUICE AND V-8 JUICE) AND SEEK BINDING ON TOBACCO (SEE PARA 5 ABOVE). WITHOUT WITHDRAWING OUR INITIAL AG REQUESTS WE ALSO INTEND TO PRESS FOR EXPANDING PRODUCT COVERAGE TO POULTRY. FYI. DURING SESSION YEE REVEALED THAT DECISION TO REQUIRE SLAUGHTER ACCORDING TO MUSLIM PROCEDURES ALL BUT MADE. END FYI. ON INDUSTRIAL TARIFFS WE STILL LACK RESPONSES TO SPECIFIC REQUESTS MADE IN REFTEL PARA 7 AND THUS CAN ONLY PRESS ACROSS BOARD. WE BELIEVE THIS WILL BE INEFFECTIVE AND WILL RESULT ONLY IN A REPLAY OF THE ITEM BY ITEM DIALOGUE WE HAD IN KUALA LUMPUR. ACTION REQUESTED: WASHINGTON AGENCY COMMENT. END COMMENT.

10. DRAFTED BY GRAEF. MCDONALD

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